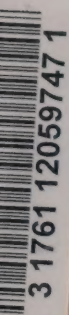


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# ONTARIO'S SMALL BUSINESS FACTS

1993

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prepared by:

Rena Blatt

for

Small Business Ontario  
Ministry of Economic Development and Trade



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# Small business drives Ontario's economy

Big companies get big headlines, but small, independently-owned businesses actually drive Ontario's economy.

In Ontario, we define a "small business" as one that employs **100 or fewer** people. Using this yardstick, about 98% of all businesses in Ontario are small businesses.

While there are differences between business sectors, **over 90% of the businesses in every sector are small.**

Small businesses dominate Ontario's *primary* industries (agriculture, fishing, trapping, logging, forestry, and mining)—only about 120 firms in the primary sector are *not* small businesses.

*Retailing* is another small business stronghold. The retail sector is three times the size of the primary sector, and about 98% of retail establishments in Ontario are small independently-owned businesses.

Note, also, the construction sector. While massive building projects come to mind, more than 99% of the construction industry consists of small firms.



## There were 308,792 small businesses in Ontario in 1991

Small businesses as a % of all businesses in each sector						
	1989		1990		1991	
	number of small firms	percentage in sector	number of small firms	percentage in sector	number of small firms	percentage in sector
All Industries	315,215	98	316,270	98	308,792	98
primary	16,268	99	15,513	99	15,039	99
manufacturing	20,920	92	21,193	92	20,793	92
construction	41,373	99	41,167	99	37,955	99
transportation/communication	9,150	96	9,153	96	8,983	96
wholesale trade	19,174	96	19,638	97	20,018	97
retail trade	47,126	99	47,899	99	46,189	98
finance/insurance/real estate	22,638	98	22,776	98	22,741	98
business services	28,180	98	29,023	98	29,138	98
health/education/community services	21,754	97	22,559	97	23,570	97
food/accommodation/other services	66,381	99	69,832	99	71,479	99
government	874	87	900	87	888	86
unclassified	21,377	99	16,617	99	11,607	99

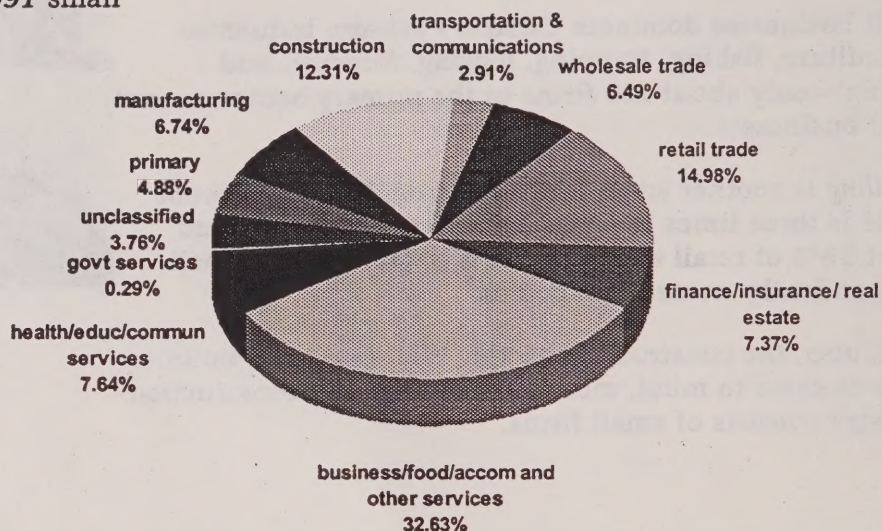
*This table shows the number of small businesses in each business sector and small businesses as a percentage of all businesses in a sector.*

*The number of small businesses in Ontario grew slightly between 1989 and 1990 — the percentage of small businesses in each sector was virtually unchanged. (Small businesses as a percentage of all businesses increased by about 0.1%.)*

*Between 1990 and 1991, the number of businesses and the number of small businesses in Ontario both declined — the first such decline recorded. (Note small increases in four sectors.)*

# Ontario's small business sectors: their relative size

While small businesses dominate every business sector in Ontario, three sectors dominate the small business community. These are business and personal service companies (comprising about 33% of all small businesses), retail trade (about 15%), and construction firms (about 12%). Every other sector represents less than 10% of all small businesses in Ontario. The figure below shows Ontario's 1991 small business "universe."



More than 1/3 of Canada's small businesses are located in Ontario. Because Ontario represents such a large part of Canada's small business "universe," the "all-Canada" small business picture is very similar to Ontario's.

Canada vs. Ontario — 1991				
sector	Canada		Ontario	
	small businesses in sector	small business % of this sector	small businesses in sector	small business % of this sector
All Industries	915,360.00	98.70	308,693.00	98.00
primary	77,694.00	99.70	15,039.00	99.00
manufacturing	51,911.00	95.10	20,793.00	92.00
construction	108,488.00	99.50	37,955.00	99.00
transportation & communications	36,068.00	98.40	8,983.00	96.00
wholesale trade	53,354.00	98.40	20,018.00	96.00
retail trade	143,845.00	99.30	46,189.00	99.00
finance/insurance/ real estate	59,818.00	98.80	22,741.00	98.00
business/food/accom and other services	282,660.00	99.20	100,617.00	99.00
health/educ/commun services	67,147.00	96.80	23,570.00	97.00
govt services	4,462.00	92.20	888.00	99.00
unclassified	16,617.00	98.90	11,607.00	87.00

# Small business creates most new jobs

Small business historically creates most of Ontario's new jobs. However, the recession hit small business hard. Between 1990 and 1991, all small business sectors except *health/education/community services* lost jobs.

Ontario lost 283,900 jobs between 1990 and 1991 and 120,400 jobs between 1989 and 1990. By contrast, we see about 190,000 net new jobs in a "normal" year.

- ◇ Between 1988 and 1989, small businesses created 173,500 net new jobs. The new jobs were in *every* business sector.
- ◇ During the 1989-1990 time period, small businesses created 12,600 jobs. This represents a 92.7% decline in job creation from the previous year. *However, these were the only net new jobs created in Ontario during this time period.* (The province suffered a net loss of 120,400 jobs in 1989-1990.)
- ◇ From 1989 to 1990, jobs declined in most of Ontario's small business sectors. Manufacturing suffered most, with 17,200 jobs lost during the 1989-1990 time period. However, 16,600 net new jobs were created during this period in the business and personal services sectors.

Net job creation by small firms in Ontario—1989-1990

	net jobs created in sector by all sizes of business	net jobs created in sector by small businesses	% of job creation in sector by small businesses	this small business sector's % of all small business job creation
All Industries	-120,400.00	12,600.00	* -10.50	100.00
primary	-600.00	-600.00	0.00	* -2.40
mining	-3,800.00	-400.00	11.00	*-3.20
manufacturing	-92,500.00	-17,200.00	19.00	*-136.50
construction	-28,400.00	-14,900.00	53.00	*-118.30
transportation & communications	4,900.00	300.00	* -6.10	2.00
wholesale trade	-18,400.00	-800.00	4.00	*-6.40
retail trade	9,500.00	16,600.00	175.00	132.00
finance/insurance/real estate	-30,000.00	-1,900.00	6.00	*-15.10
community services	20,200.00	9,600.00	48.00	76.00
business & personal services	14,600.00	30,400.00	208.00	241.00
public admin & unclassified	13,900.00	-3,600.00	26.00	*-28.60

\* The table on the left covers net job creation. There were no net jobs created in 1990-1991. A negative value in this table means that small business either created new jobs in a sector where total jobs declined jobs or lost jobs in a sector which grew.

Note: While most businesses are small businesses, medium-size and large organizations provide more than half of Ontario's jobs. These organizations provided 59.7% of Ontario's jobs in 1990. (This drops to 56% when publicly-funded enterprises such as schools, hospitals, social service agencies, utilities, and governments are excluded.) The percentage of jobs provided by these larger organizations declined from 63.8% in 1989.

# Job creation in 1991

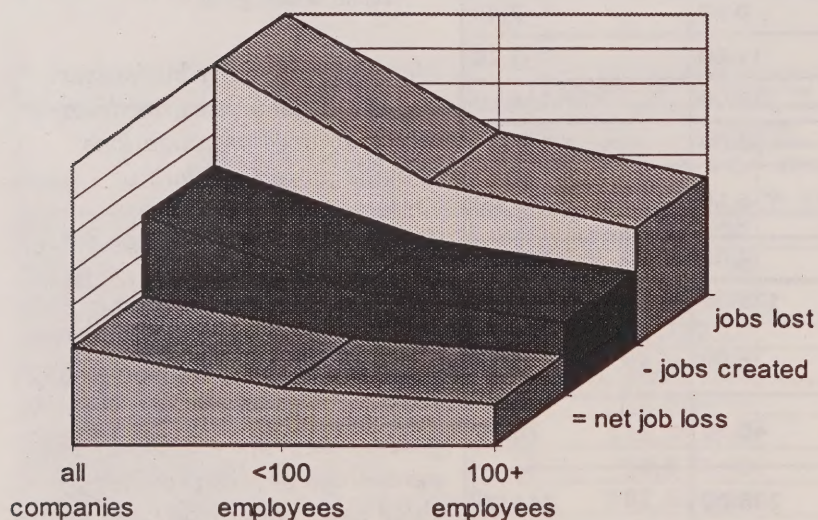
Small Business Ontario normally reports *net* job creation data — we deduct jobs lost from new jobs created. *We couldn't do this in 1991*, as the year saw no net job increase in Ontario. However, Ontario's business community wasn't stagnant — *it created more than half-a-million new jobs.*

1991 saw more jobs lost in small businesses than in larger ones. Companies with under 100 employees accounted for 58% of that year's job losses. This contrasts with 1990, when Ontario's small businesses created the province's only net new jobs.

Non-net Job creation by small firms in Ontario —1991— by size by industry						
	all	<5	5 - <20	20 - <50	50 - <100	100+
All Industries	512.60	103.10	84.80	67.00	45.20	212.50
primary	4.10	2.90	0.90	0.30	0.30	-
mining	2.60	0.30	0.60	0.30	0.20	1.20
manufacturing	70.90	6.00	9.20	10.10	6.80	38.30
construction	29.50	10.30	6.80	4.00	3.60	4.80
transportation & communications	20.20	3.40	3.60	2.60	1.10	9.50
wholesale trade	28.90	6.40	7.30	5.80	3.40	6.00
retail trade	91.20	14.70	10.00	10.00	4.70	51.90
finance/insurance/real estate	48.10	10.40	8.60	7.20	4.40	1.70
community services	59.90	9.70	8.20	9.10	3.90	29.00
business & personal services	127.60	33.50	26.90	16.10	14.60	25.60
government	13.00	0.20	0.40	0.10	6.10	6.20
unclassified	15.50	-	-	-	-	-
table total	511.50	97.80	82.50	65.60	49.10	174.20

Data in thousands. Note that table total does not match "all" data due to confidentiality requirements. The discrepancy is in the 100+ category.

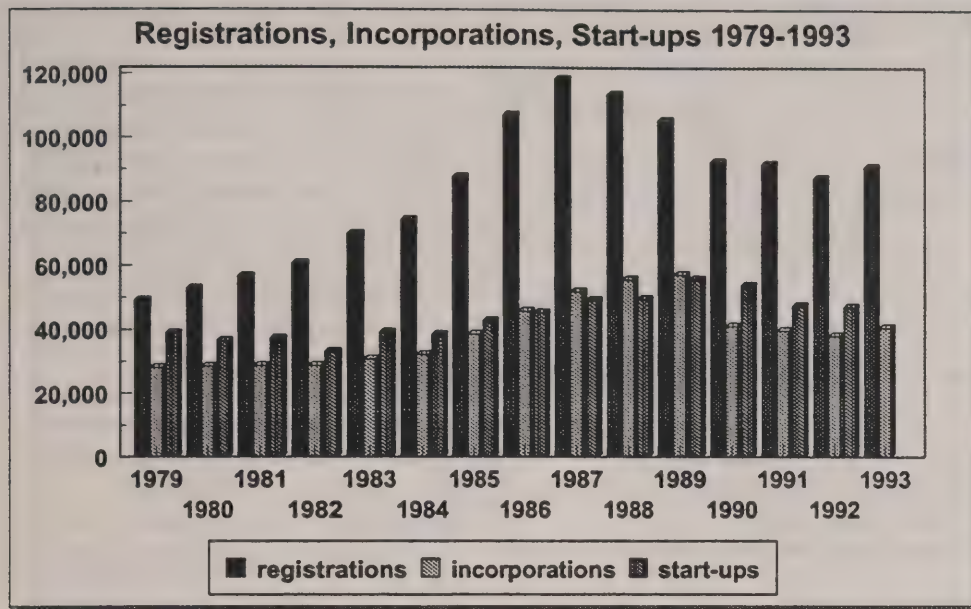
## The 1991 net job picture



Net job losses in 1991			
	net job loss	jobs created	jobs lost
all companies	283.90	512.60	796.50
<100 employees	165.10	300.10	465.20
100+ employees	119.00	212.50	331.50

Data in thousands.

# Annual changes in business formation



(Registration and incorporation data from MCCR Ontario; start-up data from Statistics Canada. 1993 start-up data unavailable.)

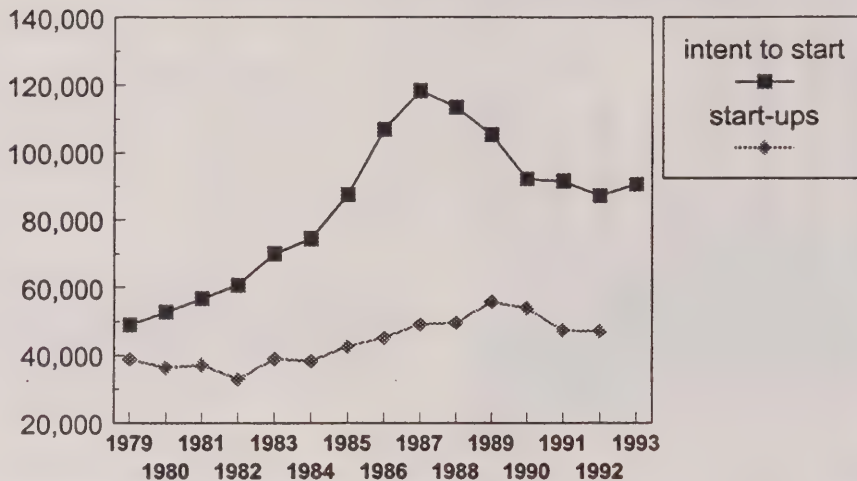
Business registrations peaked at 118,304 in 1987. Start-ups peaked two years later, in 1989, when Statistics Canada recorded 55,736 new businesses. Note that the pattern of business incorporations mirrors that of start-ups while the pattern of registrations can be quite different.

MCCR Registrations & Incorporations by Month 1991 – 1993						
	1991		1992		1993	
	registrations	incorporations	registrations	incorporations	registrations	incorporations
january	7,900	3,384	6,596	2,761	7,066	2,896
february	7,511	3,127	7,416	3,828	6,560	3,102
march	7,844	4,372	8,204	3,274	10,107	3,501
april	9,101	4,049	7,785	3,124	6,953	3,467
may	7,586	3,058	7,641	3,684	7,961	3,032
june	6,651	3,358	7,767	3,209	7,854	3,374
july	7,897	3,193	8,169	3,392	6,267	2,942
august	5,914	3,084	6,751	2,534	7,742	3,099
september	5,975	3,145	6,094	2,964	8,644	3,327
october	9,311*	2,728	7,000	2,989	7,132	3,204
november	8,179	3,088	7,355	3,022	7,348	3,540
december	7,703	3,129	6,351	3,271	7,005	5,098
TOTAL	91,572	39,715	87,129	38,052	90,639	40,582

\* Changes to the Company's Names Act in October, 1991 required more businesses than before to register.

# Desire to start a business and decision to do so

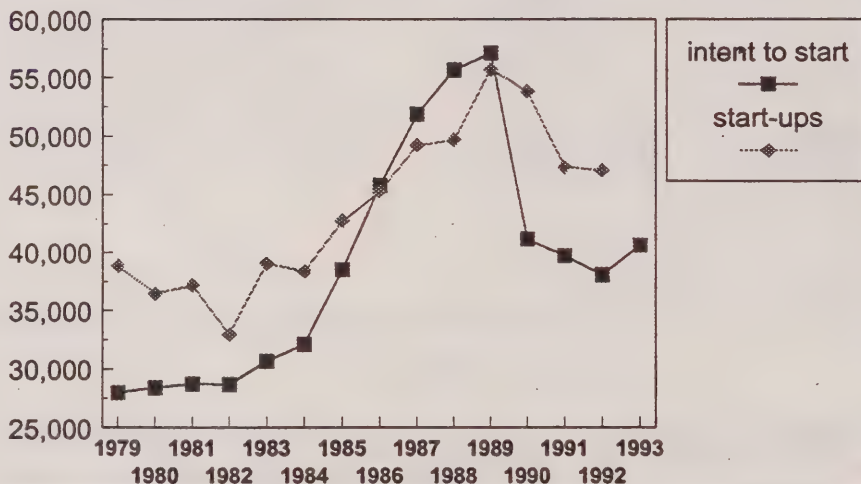
## Registrations vs. Start-ups 1979-1993



About 90,639 new businesses registered in Ontario during 1993 (a 4% increase over 1992) while 40,582 new businesses incorporated (a 6.5% increase over 1992). These increases, while small, represent an encouraging trend after recent declines.

Note that new business registrations and incorporations both *increased* during the recession of the early eighties. The recent recession hit much harder.

## Incorporations vs. Start-ups 1979-1993



Incorporations increased rapidly from 1983 through 1988. They levelled-off in 1988, then dropped precipitously in 1989 and continued to decline through 1991 and 1992.

Unincorporated business registrations peaked in 1987, then declined for the next six years.

(Registration and incorporation data from MCCR Ontario; start-up data from Statistics Canada.)

*Registration* implies an intent to start a business — an intent not always fulfilled. This is one reason why registrations reported by the Ministry of Consumer and Commercial Relations (MCCR) and start-ups reported by Statistics Canada don't match. (Incorporation requires a greater commitment than registration, and results more often in a start-up.)

Another reason registrations (and incorporations) and start-ups don't match is that some firms open for business, then close before filing tax returns or opening payroll deduction accounts. Statistics Canada has no record of these businesses.

Since many businesses both register *and* incorporate, adding registrations and incorporations together is not appropriate.

# Employment by Ontario's small firms

Employment by small firms				
	1990		1991	
	# of jobs (000)	% in sector	# of jobs (000)	% in sector
All Industries	1,919.70	37.40	1,754.70	36.20
primary	43.50	54.20	43.00	56.00
manufacturing	277.50	28.10	246.50	27.60
construction	208.70	77.90	166.10	77.70
transportation/comm	65.20	27.60	63.80	28.40
wholesale	173.00	57.40	157.10	59.60
retail	310.70	47.00	275.80	44.30
finan/insur/real est	120.10	24.90	117.70	25.10
community serv	123.00	18.30	137.80	19.40
bus/pers serv	551.10	58.90	508.90	58.50
public admin	14.90	3.40	14.80	3.30

Small business employment in the private sector represented 44% of total employment in 1991. About 1,602,100 people worked at private sector small firms (all sectors except community services and public administration). By contrast, about 2,089,700 people worked at larger private-sector companies.

Within the small business community, most companies employed 5-20 people. Business and personal service firms dominated small business employment. By contrast, larger firms employed more people in the manufacturing sector.

# Ontario employment demographics

		Total Employees <sup>1</sup>	Employed in companies with 100 and fewer employees	
		#	#	%
Total		5,706,212	2,298,313	40.3
Total Male		2,871,660	1,141,488	39.8
Total Female		2,514,694	964,705	38.4
Male	0 - 14 Years	41,156	25,014	60.8
Female	0 - 14 Years	32,273	19,163	59.4
Male	15 - 24 Years	738,096	359,376	48.7
Female	15 - 24 Years	685,485	289,519	42.2
Male	25 - 34 Years	810,763	318,970	39.3
Female	25 - 34 Years	722,115	259,994	36.0
Male	35 - 44 Years	627,905	207,470	33.0
Female	35 - 44 Years	582,614	201,513	34.6
Male	45 - 54 Years	402,737	130,452	32.4
Female	45 - 54 Years	329,419	123,509	37.5
Male	55 - 64 Years	218,446	81,974	37.5
Female	55 - 64 Years	143,838	59,930	41.7
Male	65 years and over	32,557	18,232	56.0
Female	65 years and over	18,951	11,116	58.7
Unspecified		319,858	192,080	60.0

1990 data

<sup>1</sup> refers to total jobs — not full-time equivalents

The first job for many workers is with a small business, and so is the last. In between, 60% of Ontario's workers work for firms employing over 100 people. Small businesses in the private sector employ 47% of the work force, while larger ones employ 53%.

Source: 1991  
Census data

Self employment – 1991 data				
	all workers	self-employed	avg income/all workers	avg income/self-employed
all	5,548,270	480,080	\$28,380	\$41,578
male	2,986,475	339,100	\$36,127	\$48,168
female	2,561,790	140,980	\$21,822	\$25,725

Self-employed women earned, on average, 18% more than the average for all female workers. However, the gap between male and female earnings is even larger for the self-employed than for the employee.

Self-employed males earn 47% more than self-employed females; the average earnings of all male workers exceed the average earnings of all female workers by 40%.

# Industry survival during the recession

The table below shows business starts and disappearances in Ontario.

Business starts have been declining since 1990. The combination of fewer business starts and more business disappearances means there are fewer firms to employ people. Ontario lost 120,000 jobs between 1989 and 1990 and 284,000 between 1990 and 1991. Early data indicates that about 200,000 jobs disappeared in Ontario between 1991 and 1992.

Business survival in Ontario 1989-1991									
sector	1989			1990			1991		
	# of firms	starts	exits	# of firms	starts	exits	# of firms	starts	exits
All Industries	322,142	55,736	52,754	322,530	53,762	54,441	315,450	47,361	*
primary	16,391	1,280	2,706	15,232	1,947	2,308	15,156	1,777	*
manufacturing	22,877	2,879	2,275	23,428	2,553	2,821	22,730	2,123	*
construction	41,732	7,254	6,820	41,793	6,606	8,609	38,302	5,118	*
transportation & communications	9,527	1,670	1,482	9,602	1,490	1,572	9,344	1,314	*
wholesale trade	19,883	2,625	2,165	20,595	2,620	2,552	20,707	2,664	*
retail trade	47,732	7,187	6,779	48,492	7,554	7,522	47,086	6,116	*
finance/insurance/ real estate	23,103	3,815	3,023	23,617	3,158	3,659	23,219	3,261	*
business & personal services	95,845	16,573	14,379	101,490	18,658	16,072	101,881	16,463	*
health/educ/commun services	22,456	2,303	1,458	23,341	2,263	1,844	24,287	2,790	*
govt services	1,008	95	18	1,031	41	65	1,035	69	*
unclassified	21,588	10,055	11,649	13,449	6,872	7,417	11,698	5,666	*

*exits = business disappearances during the year for all reasons*

*\* 1991 exits data unavailable*

In 1990, wholesale trade, retail trade, business and personal services, and health/education/ community services were the only sectors with more starts than exits.

# Failures and bankruptcies

Businesses disappear for many reasons, including retirement or death. However, most businesses that disappear do so because they failed.

Business failures and bankruptcies both reached historic highs in Ontario during the last few years. While all bankruptcies can be called failures, only about 5% of business failures involve bankruptcy. (Most businesses shut their doors with all of their bills paid.)

Bankruptcies have increased precipitously since 1989. The rise in failures, while less drastic, is still disturbing. When the final numbers are in, we expect to find that about 110,000 businesses failed in 1991 and 1992.

